

CITY OF SIGOURNEY, IOWA

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS

SUPPLEMENTARY AND OTHER INFORMATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

CITY OF SIGOURNEY, IOWA

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CITY OF SIGOURNEY, IOWA

OFFICIALS
JUNE 30, 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Patricia Miletich	Mayor	January 2014
Edward Conrad	Council Member	January 2016
Randall Schultz	Council Member	January 2014
Drew Ballensky	Council Member	January 2014
Jeffrey Johnson	Council Member	January 2014
Connie McLaughlin	Council Member	January 2016
Jesse Hornback	Council Member	January 2016
Angela Alderson	City Clerk	Indefinite
Janet Ward	City Treasurer	Indefinite
John Wehr	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Sigourney, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2013 on our consideration of the City of Sigourney, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sigourney, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the seven years ended June 30, 2009 (which are not presented herein) were audited by other auditors. The other auditors expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sigourney, Iowa's basic financial statements. Management's Discussion and Analysis and the Budgetary Comparison Information on pages 4 through 8 and 24 through 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
February 18, 2013

CITY OF SIGOURNEY, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

The City of Sigourney, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 54.8% or \$2,061,384 from fiscal year 2011 to fiscal 2012. Note proceeds decreased \$1,940,000 and make up the majority of the decrease.
- Disbursements of the City's governmental activities decreased 31.8% or \$1,027,868 from fiscal 2011 to fiscal 2012. Debt service disbursements decreased \$1,275,149.
- Receipts of the City's business type activities increased 61.9%, or \$700,143, from fiscal year 2011 to fiscal year 2012. Capital grants, contributions and restricted interest increased \$797,142.
- Disbursements of the City's business type activities increased 61.9%, or \$687,958, from fiscal year 2011 to fiscal year 2012. Sewer disbursements increased \$605,993.
- The City's total cash basis net assets decreased 16.7% or \$468,417 from June 30, 2011 to June 30, 2012. Of this amount, the net assets of the governmental activities decreased \$500,678 and the net assets of the business type activities increased by \$32,261.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets - Cash Basis. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental funds and proprietary funds were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operation in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets - Cash Basis reports information that helps answer this question.

The Statement of Activities and Net Assets - Cash Basis present the City's cash basis net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets - Cash Basis is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sewer and sanitation funds. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operation and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three enterprise Funds to provide separate information for the water, sewer and sanitation funds, all three are considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$1,468,475 to \$967,797. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	Year Ended June 30,	
	2012	2011 As Restated
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 108,598	\$ 109,089
Operating grants, contributions and restricted interest	269,308	500,587
Capital grants, contributions and restricted interest	-	28,232
General receipts:		
Property tax	928,955	818,502
Local option sales tax	210,372	211,682
Tax increment financing	69,622	63,365
Unrestricted interest on investments	3,540	5,901
Long term debt proceeds	-	1,940,000
Other general receipts	87,104	61,525
Transfers, net	23,216	23,216
Total receipts	<u>1,700,715</u>	<u>3,762,099</u>
Disbursements:		
Public safety	363,258	370,562
Public works	330,151	246,193
Culture and recreation	286,781	210,056
Community and economic development	75,746	149,782
General government	265,434	202,362
Debt service	436,472	1,711,621
Capital projects	443,551	338,685
Total disbursements	<u>2,201,393</u>	<u>3,229,261</u>
Net change in cash basis net assets	(500,678)	532,838
Cash basis net assets beginning of year, as restated	<u>1,468,475</u>	<u>935,637</u>
Cash basis net assets end of year	\$ <u>967,797</u>	\$ <u>1,468,475</u>

The City's total receipts and transfers for governmental activities decreased 54.8% or \$2,061,384. The decrease in receipts was primarily the result of proceeds from debt received during the prior year.

The total cost (disbursements) of all programs and services decreased by \$1,027,868 or 31.8%. The decrease in disbursements was primarily the result of less debt service expenditures for the current year.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
		<u>As Restated</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 451,124	\$ 432,755
Sewer	323,295	313,434
Sanitation	177,414	176,547
Capital grants, contributions and restricted interest	797,142	142,852
General receipts:		
Unrestricted interest on investments	6,286	9,677
Other general receipts	76,320	56,173
Total receipts	<u>1,831,581</u>	<u>1,131,438</u>
Disbursements and transfers:		
Water	560,710	492,953
Sewer	1,053,893	447,900
Sanitation	161,501	147,293
Transfers, net	23,216	23,216
Total disbursements and transfers	<u>1,799,320</u>	<u>1,111,362</u>
Net change in cash basis net assets	32,261	20,076
Cash basis net assets beginning of year, as restated	<u>1,333,715</u>	<u>1,313,639</u>
Cash basis net assets end of year	\$ <u>1,365,976</u>	\$ <u>1,333,715</u>

Total business type activities receipts for the fiscal year increased \$700,143 or 61.9%. The increase in receipts was primarily the result of increases in capital grants, contributions and restricted interest.

Total business type activities disbursements and transfers increased \$687,958 or 61.9%. This resulted primarily from an increase in sewer fund expenditures.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sigourney, Iowa completed the year, its governmental funds reported a combined fund balance of \$961,797, a decrease of \$456,713 from last year's total of \$1,418,510. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$37,203 primarily due to a decrease in miscellaneous receipts from the prior year to \$296,354.
- The Road Use Tax Fund cash balance increased \$30,054 primarily due to a decrease in public works expenditures from the prior year to \$58,451.
- The Local Option Sales and Services Tax Fund cash balance decreased \$57,749 primarily due to an increase in expenditures compared to the prior year to \$318,010.
- The Debt Service Fund cash balance increased \$9,628 primarily due to a decrease in expenditures to \$18,699.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS (Continued)

- The Capital Projects Fund cash balance decreased \$437,899 primarily related to expenditures (debt was issued in prior year but not expended until the current fiscal year) to \$108,170.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$13,192 to \$591,658, due primarily to an increase in capital projects expenditures in the current fiscal year.
- The Sewer Fund cash balance increased \$57,506 to \$530,802, due primarily to an increase in intergovernmental receipts in the current fiscal year.
- The Sanitation Fund cash balance increased \$451 to \$116,915, in the current fiscal year.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2012, the City amended its budget once resulting in an increase in budgeted expenditures of \$992,746.

DEBT ADMINISTRATION

At June 30, 2012 the City had \$4,390,932 in bonds and other long-term debt, compared to \$4,876,536 last year, as shown below.

Outstanding Debt at Year End

	<u>Year ending June 30,</u>	
	<u>2012</u>	<u>2011</u>
General obligation notes	\$ 2,885,000	\$ 3,170,000
Revenue notes and bonds	1,468,000	1,630,000
Other obligations	<u>37,932</u>	<u>76,536</u>
Total	\$ <u>4,390,932</u>	\$ <u>4,876,536</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. At June 30, 2012, the City's general obligation debt outstanding was below its constitutional debt limit of \$4,139,709. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Sigourney, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment (as of October 2012) in the County now stands at 4.6% compared to 5.3% last year. This compares with the State's unemployment rate of 5.1% and the national rate of 7.5%.

Inflation in the State was lower than the national Consumer Price Index increase. The State's CPI increase was 4.637% for the twelve month period ending October 2012 compared with the national rate of 4.896%.

These indicators were taken into account when adopting the budget for fiscal year 2013. There were no major changes to the fiscal year 2013 budget, other than a decrease in intergovernmental receipts and capital projects and sewer expenditures.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angela Alderson, City Clerk, 100 North Main, Sigourney, Iowa 52591.

BASIC FINANCIAL STATEMENTS

CITY OF SIGOURNEY, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs			Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Service</u>		
Governmental activities:				
Public safety	\$ 363,258	\$ 20,835	\$ 6,677	\$ -
Public works	330,151	-	195,298	-
Culture and recreation	286,781	52,590	65,330	-
Community and economic development	75,746	13,243	2,003	-
General government	265,434	21,930	-	-
Debt service	436,472	-	-	-
Capital projects	443,551	-	-	-
Total governmental activities	<u>2,201,393</u>	<u>108,598</u>	<u>269,308</u>	<u>-</u>
Business type activities:				
Water	560,710	451,124	-	-
Sewer	1,053,893	323,295	-	797,142
Sanitation	161,501	177,414	-	-
Total business type activities	<u>1,776,104</u>	<u>951,833</u>	<u>-</u>	<u>797,142</u>
Total	\$ <u>3,977,497</u>	\$ <u>1,060,431</u>	\$ <u>269,308</u>	\$ <u>797,142</u>

General receipts:

Property tax levied for:
 General purposes
 Debt service
 Tax increment financing
 Local option sales tax
 Unrestricted interest on investments
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year, as restated

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Nonexpendable:
 Permanent Funds

Expendable:

Streets
 Capital projects
 Debt Service
 Other purposes

Unrestricted

Total cash basis net assets

EXHIBIT A

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
\$ (335,746)	\$ -	\$ (335,746)
(134,853)	-	(134,853)
(168,861)	-	(168,861)
(60,500)	-	(60,500)
(243,504)	-	(243,504)
(436,472)	-	(436,472)
(443,551)	-	(443,551)
<u>(1,823,487)</u>	<u>-</u>	<u>(1,823,487)</u>
-	(109,586)	(109,586)
-	66,544	66,544
-	15,913	15,913
<u>-</u>	<u>(27,129)</u>	<u>(27,129)</u>
<u>(1,823,487)</u>	<u>(27,129)</u>	<u>(1,850,616)</u>
560,564	-	560,564
368,391	-	368,391
69,622	-	69,622
210,372	-	210,372
3,540	6,286	9,826
87,104	76,320	163,424
<u>23,216</u>	<u>(23,216)</u>	<u>-</u>
<u>1,322,809</u>	<u>59,390</u>	<u>1,382,199</u>
(500,678)	32,261	(468,417)
<u>1,468,475</u>	<u>1,333,715</u>	<u>2,802,190</u>
\$ <u>967,797</u>	\$ <u>1,365,976</u>	\$ <u>2,333,773</u>
\$ 5,675	\$ -	\$ 5,675
58,451	-	58,451
108,170	-	108,170
18,699	234,617	253,316
474,448	179,012	653,460
<u>302,354</u>	<u>952,347</u>	<u>1,254,701</u>
\$ <u>967,797</u>	\$ <u>1,365,976</u>	\$ <u>2,333,773</u>

CITY OF SIGOURNEY, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

		<u>Special Revenue</u>			
	<u>General</u>	<u>Road</u>	<u>Local</u>	<u>Debt</u>	<u>Capital</u>
		<u>Use Tax</u>	<u>Option</u>	<u>Service</u>	<u>Projects</u>
			<u>Sales and</u>		
			<u>Services Tax</u>		
<u>RECEIPTS:</u>					
Property tax	\$ 418,976	\$ -	\$ -	\$ 368,391	\$ -
Tax increment financing	-	-	-	-	-
Other City tax	23,557	-	210,372	-	-
Licenses and permits	20,030	-	-	-	-
Use of money and property	20,397	-	1,150	-	-
Intergovernmental	38,583	195,298	-	11,831	-
Charges for service	55,462	-	-	-	-
Miscellaneous	31,123	-	35,925	-	5,652
Total receipts	<u>608,128</u>	<u>195,298</u>	<u>247,447</u>	<u>380,222</u>	<u>5,652</u>
<u>DISBURSEMENTS:</u>					
Operating:					
Public safety	302,741	-	1,805	-	-
Public works	-	175,997	125,076	-	-
Culture and recreation	202,916	-	69,287	-	-
Community and economic development	7,234	-	35,087	-	-
General government	206,490	-	47,981	-	-
Debt service	-	-	-	436,472	-
Capital projects	-	-	-	-	443,551
Total disbursements	<u>719,381</u>	<u>175,997</u>	<u>279,236</u>	<u>436,472</u>	<u>443,551</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(111,253)</u>	<u>19,301</u>	<u>(31,789)</u>	<u>(56,250)</u>	<u>(437,899)</u>
Other financing sources (uses):					
Sale of assets	4,858	-	-	-	-
Transfers in	69,192	10,753	-	65,878	-
Transfers out	-	-	(25,960)	-	-
Total other financing sources (uses)	<u>74,050</u>	<u>10,753</u>	<u>(25,960)</u>	<u>65,878</u>	<u>-</u>
Net change in cash balances	<u>(37,203)</u>	<u>30,054</u>	<u>(57,749)</u>	<u>9,628</u>	<u>(437,899)</u>
<u>CASH BALANCES</u> - Beginning of year	<u>333,557</u>	<u>28,397</u>	<u>375,759</u>	<u>9,071</u>	<u>546,069</u>
<u>CASH BALANCES</u> - End of year	<u>\$ 296,354</u>	<u>\$ 58,451</u>	<u>\$ 318,010</u>	<u>\$ 18,699</u>	<u>\$ 108,170</u>
<u>Cash Basis Fund Balances</u>					
Nonspendable:					
Permanent Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:					
Debt service	-	-	-	18,699	-
Special revenue funds	-	58,451	318,010	-	-
Capital projects funds	-	-	-	-	108,170
Unassigned	<u>296,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 296,354</u>	<u>\$ 58,451</u>	<u>\$ 318,010</u>	<u>\$ 18,699</u>	<u>\$ 108,170</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 141,588	\$ 928,955
69,622	69,622
-	233,929
-	20,030
352	21,899
4,554	250,266
13,118	68,580
<u>6,336</u>	<u>79,036</u>
<u>235,570</u>	<u>1,672,317</u>

34,670	339,216
9,078	310,151
14,331	286,534
33,425	75,746
10,963	265,434
-	436,472
-	<u>443,551</u>
<u>102,467</u>	<u>2,157,104</u>

<u>133,103</u>	<u>(484,787)</u>
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-	4,858
23,216	169,039
<u>(119,863)</u>	<u>(145,823)</u>
<u>(96,647)</u>	<u>28,074</u>

36,456	(456,713)
<u>125,657</u>	<u>1,418,510</u>
\$ <u>162,113</u>	\$ <u>961,797</u>

\$ 5,675	\$ 5,675
-	18,699
156,438	532,899
-	108,170
-	<u>296,354</u>
\$ <u>162,113</u>	\$ <u>961,797</u>

CITY OF SIGOURNEY, IOWA

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BALANCES TO THE STATEMENT
OF ACTIVITIES AND NET ASSETS - GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

Total governmental funds cash balances	\$ 961,797
--	------------

Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Activities and Net Assets.

6,000

Cash basis net assets of governmental activities	\$ <u>967,797</u>
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Net change in cash balances	\$ (456,713)
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Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the change on net assets of the Internal Service Fund is reported with governmental activities.

(43,965)

Change in cash basis net assets of governmental activities	\$ <u>(500,678)</u>
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CITY OF SIGOURNEY, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds				Internal Service Vehicle Replacement
	Water	Sewer	Sanitation	Total	
Operating receipts:					
Charges for service	\$ 451,124	\$ 323,295	\$ 177,414	\$ 951,833	\$ 69,650
Miscellaneous	67,006	2,949	6,365	76,320	-
Total operating receipts	<u>518,130</u>	<u>326,244</u>	<u>183,779</u>	<u>1,028,153</u>	<u>69,650</u>
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	33,042
Public works	-	-	-	-	36,000
Culture and recreation	-	-	-	-	3,647
Business type activities	305,007	193,137	162,235	660,379	54,423
Total operating disbursements	<u>305,007</u>	<u>193,137</u>	<u>162,235</u>	<u>660,379</u>	<u>127,112</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>213,123</u>	<u>133,107</u>	<u>21,544</u>	<u>367,774</u>	<u>(57,462)</u>
Non-operating receipts (disbursements):					
Interest on investments	3,497	1,820	300	5,617	993
Intergovernmental	-	797,142	-	797,142	-
Capital projects	(99,200)	(771,114)	-	(870,314)	-
Debt service	<u>(120,580)</u>	<u>(95,942)</u>	<u>(15,716)</u>	<u>(232,238)</u>	<u>-</u>
Total non-operating receipts (disbursements)	<u>(216,283)</u>	<u>(68,094)</u>	<u>(15,416)</u>	<u>(299,793)</u>	<u>993</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(3,160)</u>	<u>65,013</u>	<u>6,128</u>	<u>67,981</u>	<u>(56,469)</u>
Other financing uses:					
Transfers out	<u>(10,032)</u>	<u>(7,507)</u>	<u>(5,677)</u>	<u>(23,216)</u>	<u>-</u>
Net change in cash balances	(13,192)	57,506	451	44,765	(56,469)
CASH BALANCES - Beginning of year	<u>604,850</u>	<u>473,296</u>	<u>116,464</u>	<u>1,194,610</u>	<u>189,070</u>
CASH BALANCES - End of year	<u>\$ 591,658</u>	<u>\$ 530,802</u>	<u>\$ 116,915</u>	<u>\$ 1,239,375</u>	<u>\$ 132,601</u>
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ 84,233	\$ 150,384	\$ -	\$ 234,617	\$ -
Water deposits	34,225	-	-	34,225	-
Sewer construction	-	144,787	-	144,787	-
Unrestricted	<u>473,200</u>	<u>235,631</u>	<u>116,915</u>	<u>825,746</u>	<u>132,601</u>
Total cash basis fund balances	<u>\$ 591,658</u>	<u>\$ 530,802</u>	<u>\$ 116,915</u>	<u>\$ 1,239,375</u>	<u>\$ 132,601</u>

CITY OF SIGOURNEY, IOWA

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BALANCES TO THE STATEMENT
OF ACTIVITIES AND NET ASSETS - PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

Total enterprise funds cash balance	\$ 1,239,375
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the assets of the Internal Service Fund are included in business type activities in the Statement of Activities and Net Assets.

126,601

Cash basis net assets of business type activities	\$ <u>1,365,976</u>
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Net change in cash balances	\$ 44,765
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.

(12,504)

Change in cash basis net assets of business type activities	\$ <u>32,261</u>
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CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sigourney, Iowa is a political subdivision of the State of Iowa located in Keokuk County. It was first incorporated in 1844 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and sanitation utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sigourney, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Sigourney, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Friends of the Sigourney Library was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. The Friends of the Sigourney Library is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Friends of the Sigourney Library is legally separate from the City, its purpose is to benefit the City of Sigourney, Iowa (the primary government) by soliciting contributions and managing those funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Keokuk County Assessor's Conference Board, Keokuk County E-911 Joint Service Board and Keokuk County Emergency Management Commission.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

CITY OF SIGOURNEY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities and Net Assets - Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation consist of \$144,787 for sewer construction.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets - Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales and Services Tax Fund is used to account for receipts from the local option sales and services tax. The receipts are used to finance projects approved by the City Council.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sanitation Fund accounts for the operation and maintenance of the City's sanitary disposal system.

The City also reports the following additional proprietary fund:

CITY OF SIGOURNEY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Sigourney, Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

NOTE 2: CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 3: BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation and revenue capital loan notes/bonds are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Capital Loan Notes</u>		<u>Revenue Capital Loan Notes/Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 300,000	\$ 106,245	\$ 170,000	\$ 44,780	\$ 470,000	\$ 151,025
2014	260,000	97,971	104,000	38,940	364,000	136,911
2015	190,000	90,371	106,000	35,820	296,000	126,191
2016	200,000	83,670	110,000	32,640	310,000	116,310
2017	180,000	76,716	114,000	29,340	294,000	106,056
2018-2022	900,000	283,903	591,000	93,420	1,491,000	377,323
2023-2027	530,000	138,281	224,000	27,960	754,000	166,241
2028-2030	<u>325,000</u>	<u>22,588</u>	<u>49,000</u>	<u>1,470</u>	<u>374,000</u>	<u>24,058</u>
Total	\$ <u>2,885,000</u>	\$ <u>899,745</u>	\$ <u>1,468,000</u>	\$ <u>304,370</u>	\$ <u>4,353,000</u>	\$ <u>1,204,115</u>

Revenue Notes/Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,527,000 of water revenue notes and bonds issued in October 2001, February 2002, May 2002 and December 2007. Proceeds from the notes and bonds provided financing for the construction of water main extensions. The notes and bonds are payable solely from water customer net receipts and are payable through 2028. Annual principal and interest payments on the notes and bonds required 54% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,104,840. For the current year, principal and interest paid and total customer net receipts were \$117,813 and \$216,620, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,482,000 of sewer revenue notes issued in November 1992 and December 2002. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the notes required 70% of net receipts. The total principal and interest remaining to be paid on the notes is \$667,530. For the current year, principal and interest paid and total customer net receipts were \$94,440 and \$134,927, respectively.

The resolutions providing for the issuance of the revenue notes and bonds include the following provisions.

- a. The notes/bonds will only be redeemed from the future earnings of the enterprise activity and the notes/bond holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a separate water revenue note sinking account within the Enterprise Funds for the purpose of making the notes/bond principal and interest payments when due.
- c. A total of \$41,940 shall be set aside in a water reserve account for the notes issued in May 2002. This account is restricted for the purpose of paying the principal and interest on the notes whenever the funds in the sinking account are insufficient. In addition, a total of \$75,000 shall be set aside in a water reserve account for the bonds issued in December 2007.
- d. Water user rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the bonds falling due in the same year for the bonds issued in December 2007 and not less than 1.25 times the maximum amount that will be required in any fiscal year prior to the respective longest maturity of each issue of water revenue notes.
- e. Sewer user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3: BONDS AND NOTES PAYABLE (Continued)

Bank Loans

On April 16, 2009, the City entered into a loan agreement for a sanitation truck. The loan of \$70,000, with interest at 4.50% per annum, is payable over a five-year period.

On November 6, 2009, the City entered into a loan agreement for a retaining wall. The loan of \$45,000, with interest at 4.50% per annum is payable over a five year period.

NOTE 4: PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$44,014, \$37,715, and \$33,516, respectively, equal to the required contributions for each year.

NOTE 5: COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's liability for earned vacation, compensatory time and sick leave payments payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 27,980
Compensatory time	13,114
Sick leave	<u>3,135</u>
Total	\$ <u>44,229</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 6: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 56,471
	Emergency	<u>12,721</u>
		<u>69,192</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Employee Benefits	<u>10,753</u>
Special Revenue:		
Employee Benefits	Water Utility	10,032
	Sewer Utility	7,507
	Landfill/Garbage	<u>5,677</u>
		<u>23,216</u>
Debt Service	Special Revenue:	
	Local Option Sales and	
	Services Tax	25,960
	TIF Program	<u>39,918</u>
		<u>65,878</u>
Total		\$ <u>169,039</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 7: RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials or employees totaling \$1,186 during the year ended June 30, 2012.

NOTE 8: RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8: RISK MANAGEMENT(continued)

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2012 were \$26,583.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$40,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: DEVELOPMENT AGREEMENTS

The City entered into a development agreement to assist in urban renewal projects, as follows:

The City agreed to make payments to C, B and D Development, Inc. under Chapter 403 of the Code of Iowa. The total to be paid by the City under this agreement shall be equal to the lesser of the sum of the total applicable percentage of all tax increments collected with respect to the assessments imposed on the development property and minimum improvements as of January 1, 2006 and January 1 of each of the following fourteen years, the actual cost of the public improvements (including reasonable interest cost) for which bills and proof of payment have been submitted to the City and constructed by the Developer on or before December 31, 2015 or \$1,000,000. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property. As of June 30, 2012, \$191,228 has been paid to the Developer.

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 12 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark Blue Cross Blue Shield and Delta Dental. Retirees under age 65 pay the same premium for medical/prescription drug benefits as active employees.

CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE10: OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Funding policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member premiums for the City and plan members are \$506 for single coverage and \$1,293 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$143,969 to the plan and plan members eligible for benefits contributed \$15,327 to the plan.

NOTE11: RESTATEMENTS

During the year ended June 30, 2012 it was determined that the allocation of the vehicle replacement fund to the governmental and proprietary funds had been misstated at June 30, 2011. As a result, the following changes have been made to net assets at June 30, 2011:

Government-wide financial statements

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
As previously reported at June 30, 2011	\$ 1,464,447	\$ 1,337,743	\$ 2,802,190
Adjustments	<u>4,028</u>	<u>(4,028)</u>	<u>-</u>
As restated at June 30, 2011	\$ <u>1,468,475</u>	\$ <u>1,333,715</u>	\$ <u>2,802,190</u>

NOTE12: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2011 have been reclassified to conform to June 30, 2012 presentation.

NOTE 13: SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 18, 2013, the date the financial statements were available to be issued.

OTHER INFORMATION

CITY OF SIGOURNEY, IOWA

BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to <u>be Budgeted</u>
<u>RECEIPTS:</u>			
Property tax	\$ 928,955	\$ -	\$ -
Tax increment financing	69,622	-	-
Other City tax	233,929	-	-
License and permits	20,030	-	-
Use of money and property	21,899	6,610	997
Intergovernmental	250,266	797,142	-
Charges for service	68,580	1,021,483	69,650
Special assessments	-	-	-
Miscellaneous	79,036	76,320	3,675
Total receipts	<u>1,672,317</u>	<u>1,901,555</u>	<u>74,322</u>
<u>DISBURSEMENTS:</u>			
Public safety	339,216	33,042	33,042
Public works	310,151	36,000	36,000
Culture and recreation	286,534	3,647	4,858
Community and economic development	75,746	-	-
General government	265,434	-	-
Debt service	436,472	-	-
Capital projects	443,551	-	-
Business type activities	-	1,817,354	54,423
Total disbursements	<u>2,157,104</u>	<u>1,890,043</u>	<u>128,323</u>
Excess (deficiency) of receipts over (under) disbursements	(484,787)	11,512	(54,001)
Other financing sources (uses), net	<u>28,074</u>	<u>(23,216)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(456,713)	(11,704)	(54,001)
<u>BALANCES - Beginning of year</u>	<u>1,418,510</u>	<u>1,383,680</u>	<u>193,872</u>
<u>BALANCES - End of year</u>	\$ <u>961,797</u>	\$ <u>1,371,976</u>	\$ <u>139,871</u>

See Accompanying Independent Auditor's Report

		Budgeted Amounts		
<u>Total</u>	<u>Original</u>	<u>Final</u>	<u>Final to Total Variance</u>	
\$ 928,955	\$ 965,577	\$ 965,577	\$ (36,622)	
69,622	55,654	62,000	7,622	
233,929	246,744	246,744	(12,815)	
20,030	8,400	12,600	7,430	
27,512	34,085	38,355	(10,843)	
1,047,408	543,178	1,035,320	12,088	
1,020,413	880,475	884,925	135,488	
-	79,425	81,175	(81,175)	
151,681	76,525	157,418	(5,737)	
<u>3,499,550</u>	<u>2,890,063</u>	<u>3,484,114</u>	<u>15,436</u>	
339,216	407,007	456,207	116,991	
310,151	315,032	392,453	82,302	
285,323	275,914	342,732	57,409	
75,746	455,002	173,048	97,302	
265,434	262,020	332,605	67,171	
436,472	427,387	440,713	4,241	
443,551	300,000	485,100	41,549	
<u>1,762,931</u>	<u>1,138,347</u>	<u>1,950,597</u>	<u>187,666</u>	
<u>3,918,824</u>	<u>3,580,709</u>	<u>4,573,455</u>	<u>654,631</u>	
(419,274)	(690,646)	(1,089,341)	670,067	
<u>4,858</u>	<u>4,858</u>	<u>4,857</u>	<u>1</u>	
(414,416)	(685,788)	(1,084,484)	670,068	
<u>2,608,318</u>	<u>2,012,772</u>	<u>2,012,772</u>	<u>595,546</u>	
\$ <u>2,193,902</u>	\$ <u>1,326,984</u>	\$ <u>928,288</u>	\$ <u>1,265,614</u>	

CITY OF SIGOURNEY, IOWA

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

JUNE 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for the blended component unit and the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$992,746. The budget amendments are reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

CITY OF SIGOURNEY, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue					
	<u>Restricted Gifts</u>	<u>Urban Renewal Tax Increment</u>	<u>Employee Benefits</u>	<u>CDBG Housing</u>	<u>TIF Program</u>	<u>CLG History Presentation</u>
<u>RECEIPTS:</u>						
Property tax	\$ -	\$ -	\$ 129,261	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	-	69,622	-
Use of money and property	160	3	-	-	-	14
Intergovernmental	-	-	4,160	-	-	-
Charges for service	-	-	-	13,118	-	-
Miscellaneous	2,486	-	-	125	-	-
Total receipts	<u>2,646</u>	<u>3</u>	<u>133,421</u>	<u>13,243</u>	<u>69,622</u>	<u>14</u>
<u>DISBURSEMENTS:</u>						
Operating:						
Public safety	11	-	34,659	-	-	-
Public works	-	-	9,078	-	-	-
Culture and recreation	559	-	8,589	-	-	-
Community and economic development	760	-	-	2,588	29,482	595
General government	-	-	10,963	-	-	-
Total disbursements	<u>1,330</u>	<u>-</u>	<u>63,289</u>	<u>2,588</u>	<u>29,482</u>	<u>595</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,316</u>	<u>3</u>	<u>70,132</u>	<u>10,655</u>	<u>40,140</u>	<u>(581)</u>
Other financing sources (uses):						
Transfers in	-	-	23,216	-	-	-
Transfers out	-	-	(67,224)	-	(39,918)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(44,008)</u>	<u>-</u>	<u>(39,918)</u>	<u>-</u>
Net change in cash balances	1,316	3	26,124	10,655	222	(581)
<u>CASH BALANCES</u> - Beginning of year	<u>23,484</u>	<u>3,085</u>	<u>11,066</u>	<u>22,499</u>	<u>9,724</u>	<u>2,805</u>
<u>CASH BALANCES</u> - End of year	\$ <u>24,800</u>	\$ <u>3,088</u>	\$ <u>37,190</u>	\$ <u>33,154</u>	\$ <u>9,946</u>	\$ <u>2,224</u>
<u>Cash Basis Fund Balances</u>						
Nonspendable:						
Permanent Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for other purposes	<u>24,800</u>	<u>3,088</u>	<u>37,190</u>	<u>33,154</u>	<u>9,946</u>	<u>2,224</u>
	\$ <u>24,800</u>	\$ <u>3,088</u>	\$ <u>37,190</u>	\$ <u>33,154</u>	\$ <u>9,946</u>	\$ <u>2,224</u>

SCHEDULE 1

<u>Emergency</u>	<u>Lewis Memorial Fountain</u>	<u>Year 2044</u>	<u>Friends of the Sigourney Public Library</u>	<u>Permanent</u>		<u>Total</u>
				<u>Lewis Memorial Trust</u>	<u>Library Memorial Trust</u>	
\$ 12,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 141,588
-	-	-	-	-	-	69,622
-	78	93	4	-	-	352
394	-	-	-	-	-	4,554
-	-	-	-	-	-	13,118
-	50	-	3,675	-	-	6,336
<u>12,721</u>	<u>128</u>	<u>93</u>	<u>3,679</u>	<u>-</u>	<u>-</u>	<u>235,570</u>
-	-	-	-	-	-	34,670
-	-	-	-	-	-	9,078
-	3,972	-	1,211	-	-	14,331
-	-	-	-	-	-	33,425
-	-	-	-	-	-	10,963
-	3,972	-	1,211	-	-	102,467
<u>12,721</u>	<u>(3,844)</u>	<u>93</u>	<u>2,468</u>	<u>-</u>	<u>-</u>	<u>133,103</u>
-	-	-	-	-	-	23,216
<u>(12,721)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(119,863)</u>
<u>(12,721)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(96,647)</u>
-	(3,844)	93	2,468	-	-	36,456
-	32,377	10,140	4,802	4,675	1,000	125,657
\$ <u>-</u>	\$ <u>28,533</u>	\$ <u>10,233</u>	\$ <u>7,270</u>	\$ <u>4,675</u>	\$ <u>1,000</u>	\$ <u>162,113</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,675	\$ 1,000	\$ 5,675
-	28,533	10,233	7,270	-	-	156,438
\$ <u>-</u>	\$ <u>28,533</u>	\$ <u>10,233</u>	\$ <u>7,270</u>	\$ <u>4,675</u>	\$ <u>1,000</u>	\$ <u>162,113</u>

CITY OF SIGOURNEY, IOWA

SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>
General obligation capital loan notes:		
Series 2010	September 29, 2009	3.5% - 4.1%
Refunding Series 2008	May 7, 2008	4.50%
Series 2010A	October 1, 2010	2.00%
Series 2010B	October 1, 2010	2.0% - 3.38%
Series 2011	February 1, 2011	2.0% - 4.5%
Total		
Revenue capital loan notes:		
Sewer Series 1992	November 25, 1992	3.00%
Water Series 2001	October 1, 2001 *	3.00%
Water Series 2002	May 3, 2002 *	3.00%
Water Series 2002B	May 1, 2002	2.55% - 4.85%
Sewer Series 2002	December 6, 2002 *	3.00%
Water Series 2007	December 20, 2007 *	3.00%
Total		
Other obligations:		
Bank loans:		
Street sweeper	October 25, 2007	5.25%
Retaining Wall	November 6, 2009	4.50%
Sanitation truck	April 16, 2009	4.50%
Total		

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

SCHEDULE 2

<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed/ Cancelled During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 350,000	\$ 350,000	\$ -	\$ -	\$ 350,000	\$ 13,200	\$ -
1,255,000	1,075,000	-	70,000	1,005,000	48,375	-
500,000	355,000	-	140,000	215,000	7,100	-
670,000	620,000	-	50,000	570,000	17,295	-
770,000	<u>770,000</u>	<u>-</u>	<u>25,000</u>	<u>745,000</u>	<u>36,967</u>	<u>-</u>
	\$ <u>3,170,000</u>	\$ <u>-</u>	\$ <u>285,000</u>	\$ <u>2,885,000</u>	\$ <u>122,937</u>	\$ <u>-</u>
\$ 523,000	\$ 59,000	\$ -	\$ 29,000	\$ 30,000	\$ 1,770	\$ -
390,000	224,000	-	20,000	204,000	6,720	-
50,000	30,000	-	3,000	27,000	900	-
350,000	75,000	-	35,000	40,000	3,603	-
959,000	589,000	-	46,000	543,000	17,670	-
737,000	<u>653,000</u>	<u>-</u>	<u>29,000</u>	<u>624,000</u>	<u>19,590</u>	<u>-</u>
	\$ <u>1,630,000</u>	\$ <u>-</u>	\$ <u>162,000</u>	\$ <u>1,468,000</u>	\$ <u>50,253</u>	\$ <u>-</u>
\$ 32,000	\$ 6,833	\$ -	\$ 6,833	\$ -	\$ 286	\$ -
45,000	26,915	-	17,715	9,200	1,126	-
70,000	<u>42,788</u>	<u>-</u>	<u>14,056</u>	<u>28,732</u>	<u>1,660</u>	<u>-</u>
	\$ <u>76,536</u>	\$ <u>-</u>	\$ <u>38,604</u>	\$ <u>37,932</u>	\$ <u>3,072</u>	\$ <u>-</u>

CITY OF SIGOURNEY, IOWA

BOND AND NOTE MATURITIES
JUNE 30, 2012

Year Ending June 30,	General Obligation Capital Loan Notes					
	Series 2010A		Series 2010B		Series 2011	
	Issued October 1, 2010		Issued October 1, 2010		Issued February 1, 2011	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	2.00 %	\$ 145,000	2.00 %	\$ 50,000	2.00 %	\$ -
2014	2.00	70,000	2.00	50,000	2.00	30,000
2015		-	3.00	50,000	2.00	30,000
2016		-	3.00	50,000	2.00	35,000
2017		-	2.38	50,000	3.00	35,000
2018		-	2.88	50,000	3.00	35,000
2019		-	2.88	50,000	3.00	35,000
2020		-	3.20	55,000	3.50	40,000
2021		-	3.38	55,000	3.50	40,000
2022		-	3.38	55,000	3.50	45,000
2023		-	3.38	55,000	4.00	45,000
2024		-		-	4.00	45,000
2025		-		-	4.00	50,000
2026		-		-	4.25	50,000
2027		-		-	4.25	55,000
2028		-		-	4.25	55,000
2029		-		-	4.50	60,000
2030		-		-	4.50	60,000
Total		\$ <u>215,000</u>		\$ <u>570,000</u>		\$ <u>745,000</u>

Year Ending June 30,	Sewer Series 1992		Water Series 2001		Water Series 2002	
	Issued November 25, 1992		Issued October 1, 2001		Issued May 3, 2002	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	3.00 %	\$ 30,000	3.00 %	\$ 20,000	3.00 %	\$ 3,000
2014		-	3.00	21,000	3.00	3,000
2015		-	3.00	21,000	3.00	3,000
2016		-	3.00	22,000	3.00	3,000
2017		-	3.00	23,000	3.00	3,000
2018		-	3.00	23,000	3.00	3,000
2019		-	3.00	24,000	3.00	3,000
2020		-	3.00	25,000	3.00	3,000
2021		-	3.00	25,000	3.00	3,000
2022		-		-		-
2023		-		-		-
2024		-		-		-
2025		-		-		-
2026		-		-		-
2027		-		-		-
2028		-		-		-
Total		\$ <u>30,000</u>		\$ <u>204,000</u>		\$ <u>27,000</u>

SCHEDULE 3

Refunding Series 2008
Issued May 7, 2008

<u>Interest Rates</u>	<u>Amount</u>
4.50 % \$	70,000
4.50	75,000
4.50	75,000
4.50	80,000
4.50	55,000
4.50	55,000
4.50	55,000
4.50	55,000
4.50	65,000
4.50	40,000
4.50	40,000
4.50	40,000
4.50	50,000
4.50	50,000
4.50	50,000
4.50	150,000
-	-
-	-
\$	<u>1,005,000</u>

Series 2010
Issued September 29, 2009

<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
3.5 % \$	35,000	\$ 300,000
3.5	35,000	260,000
3.5	35,000	190,000
3.3	35,000	200,000
3.5	40,000	180,000
4.1	40,000	180,000
4.1	40,000	180,000
4.1	45,000	195,000
4.1	45,000	205,000
-	-	140,000
-	-	140,000
-	-	85,000
-	-	100,000
-	-	100,000
-	-	105,000
-	-	205,000
-	-	60,000
-	-	60,000
\$	<u>350,000</u>	\$ <u>2,885,000</u>

Water Series 2002B
Issued May 1, 2002

<u>Interest Rates</u>	<u>Amount</u>
4.85 % \$	40,000
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
\$	<u>40,000</u>

Sewer Series 2002
Issued December 6, 2002

<u>Interest Rates</u>	<u>Amount</u>
3.00 % \$	47,000
3.00	49,000
3.00	50,000
3.00	52,000
3.00	53,000
3.00	55,000
3.00	57,000
3.00	58,000
3.00	60,000
3.00	62,000
-	-
-	-
-	-
-	-
-	-
-	-
-	-
\$	<u>543,000</u>

Water Series 2007
Issued December 20, 2007

<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
3.00 % \$	30,000	\$ 170,000
3.00	31,000	104,000
3.00	32,000	106,000
3.00	33,000	110,000
3.00	35,000	114,000
3.00	36,000	117,000
3.00	37,000	121,000
3.00	38,000	124,000
3.00	39,000	127,000
3.00	40,000	102,000
3.00	42,000	42,000
3.00	43,000	43,000
3.00	45,000	45,000
3.00	46,000	46,000
3.00	48,000	48,000
3.00	49,000	49,000
\$	<u>624,000</u>	\$ <u>1,468,000</u>

CITY OF SIGOURNEY, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>RECEIPTS:</u>				
Property tax	\$ 928,955	\$ 818,502	\$ 685,848	\$ 813,584
Tax increment financing	69,622	63,365	17,693	15,971
Other City tax	233,929	247,351	245,843	253,702
Licenses and permits	20,030	40,371	38,563	13,868
Use of money and property	21,899	19,936	23,725	20,446
Intergovernmental	250,266	366,922	848,772	542,350
Charges for service	68,580	47,514	45,167	31,475
Special assessments	-	6,024	168	2,920
Miscellaneous	79,036	184,035	26,441	75,015
Total	\$ <u>1,672,317</u>	\$ <u>1,794,020</u>	\$ <u>1,932,220</u>	\$ <u>1,769,331</u>
<u>DISBURSEMENTS:</u>				
Operating:				
Public safety	\$ 339,216	\$ 351,163	\$ 310,067	\$ 280,382
Public works	310,151	247,193	253,342	190,944
Culture and recreation	286,534	226,056	262,065	199,791
Community and economic development	75,746	149,782	184,089	398,302
General government	265,434	202,362	336,149	221,767
Debt service	436,472	1,711,621	396,923	411,910
Capital projects	443,551	338,685	886,367	349,142
Total	\$ <u>2,157,104</u>	\$ <u>3,226,862</u>	\$ <u>2,629,002</u>	\$ <u>2,052,238</u>

SCHEDULE 4

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 784,884	\$ 785,493	\$ 679,216	\$ 638,995	\$ 619,563	\$ 615,710
10,483	-	-	-	-	-
186,336	46,111	26,141	25,636	36,143	34,991
11,040	5,105	10,313	2,629	7,545	7,439
21,261	23,248	17,836	14,372	16,253	25,067
256,839	217,157	209,547	304,306	326,862	734,362
31,102	32,736	47,183	39,524	46,035	97,253
3,901	6,634	9,289	8,698	10,681	14,629
103,931	81,432	193,803	496,157	398,183	231,347
\$ <u>1,409,777</u>	\$ <u>1,197,916</u>	\$ <u>1,193,328</u>	\$ <u>1,530,317</u>	\$ <u>1,461,265</u>	\$ <u>1,760,798</u>
\$ 245,805	\$ 254,442	\$ 217,030	\$ 223,059	\$ 240,328	\$ 227,472
216,013	200,569	180,334	223,551	207,252	336,016
183,933	208,531	308,714	567,785	268,299	169,227
107,300	43,576	17,865	109,899	125,589	70,891
215,215	165,318	209,372	175,003	159,057	159,196
368,160	292,897	302,292	881,616	268,166	210,140
41,040	99,620	638,454	5,000	170,439	1,322,428
\$ <u>1,377,466</u>	\$ <u>1,264,953</u>	\$ <u>1,874,061</u>	\$ <u>2,185,913</u>	\$ <u>1,439,130</u>	\$ <u>2,495,370</u>

CITY OF SIGOURNEY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-048	\$ 771,114
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Seatbelt Performance Grants	20.609	-	<u>450</u>
Total			\$ <u><u>771,564</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Sigourney, Iowa and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schudule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated February 18, 2013. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Sigourney, Iowa is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Sigourney, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sigourney, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sigourney, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Sigourney, Iowa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sigourney, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Sigourney, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Sigourney, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Sigourney, Iowa and other parties to whom the City of Sigourney, Iowa may report including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Sigourney, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
February 18, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the City of Sigourney, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Sigourney, Iowa's major federal program for the year ended June 30, 2012. The City of Sigourney, Iowa's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Sigourney, Iowa's management. Our responsibility is to express an opinion on the City of Sigourney, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Sigourney, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Sigourney, Iowa's compliance with those requirements.

In our opinion, the City of Sigourney, Iowa complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the City of Sigourney, Iowa is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Sigourney, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Sigourney, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

The City of Sigourney, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Sigourney, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Sigourney, Iowa and other parties to whom the City of Sigourney, Iowa may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
February 18, 2013

CITY OF SIGOURNEY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results

- a. Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b. A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to the major program.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The City of Sigourney, Iowa did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

Internal Control Deficiencies:

II-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check of those of another. Once person has control over each of the following areas for the City:

1. Receipts – Opening mail, collecting, depositing, journalizing and posting.
2. Utility Receipts – Opening mail, billing, collecting, depositing, posting and reconciling.
3. Disbursements – Preparing checks, signing checks and access to accounting records.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response –

1. The City Clerk's staff is trying different approaches as to who does the posting, depositing and reconciling.
2. The Deputy City Clerk prepares checks, but the Mayor and/or City Clerk sign the checks.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were noted.

CITY OF SIGOURNEY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

III-A-12 Segregation of Duties over Federal Receipts and Expenditures – The City did not properly segregate collection, deposit, disbursement and record-keeping for receipts and expenditures, including those related to federal programs. See item II-A-12.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.

IV-B-12 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Brent Jennings, Police Reserve Officer Owner of the PTL shop	Services	\$ 86
Richard Casper Husband of City Hall Employee	Materials	\$ 1,100

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year.

IV-E-12 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-12 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-12 Revenue Bonds & Notes – No instances of non-compliance with the revenue bond resolutions were noted.